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HOW SOCIAL FRANCHISING CAN ADDRESS GLOBAL SOCIAL ISSUES

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Government programs, charitable organisations and the private business sector have not provided lasting and sustainable solutions to the many social, economic and environmental challenges affecting billions of people worldwide. This challenge offers opportunities for innovative social entrepreneurs and social franchisors and franchisees interested in creating businesses that deliver more than a financial return on investment. This article explores how social franchising is starting to make a difference in this struggle to make the world a better place for all.

Poverty, malnutrition, child mortality, HIV/AIDS, homelessness, urban development, education or clean water are just some of the social, economic and environmental challenges affecting billions of people worldwide that offer opportunities for innovative social entrepreneurs and social franchisors and franchisees interested in creating businesses that deliver more than a financial return on investment.

The traditional methods of addressing these challenges through mission-driven government programs, international foreign aid and charitable organizations have not been sufficient on their own to combat these daunting challenges. Non-governmental organizations (NGOs), government agencies, private charities and international organizations such as UNICEF and FAO have been engaged for decades in a struggle to

alleviate these problems. Though they have had some commendable successes in reducing extreme poverty and helping improve people's lives in many parts of the world, it is estimated that over two billion people still live on less than \$2 per day. Also, the long-term sustainability of these efforts is uncertain since most of the providers (NGOs, charities, etc.) depend on the generosity of donors for their financial survival.

“... it is estimated that over two billion people still live on less than \$2 per day.”

* Note: An earlier version of this article was posted on Dr Aliouche's blog in Forbes.com in December 2018.

Social entrepreneurship and social enterprises

The profit-driven private business sector alone, likewise, has not provided inclusive and sustainable solutions for the problems of billions of impoverished and vulnerable human beings at the bottom of the pyramid. Social entrepreneurship, a new approach that applies market-based principles to tackle social problems while also pursuing financial sustainability, has emerged as a promising alternative. Organizations such as Ashoka, the Skoll Foundation, the Omidyar Network, and the Schwab Foundation for Social Entrepreneurship, have been actively promoting social entrepreneurship. Ashoka's mission, for example, is to "... identify and support the world's leading social entrepreneurs, learn from the patterns of their innovations, and mobilize a global community that embraces these new frameworks to build an "everyone a changemaker world".

Successful social enterprises are now operating in many parts of the world, focusing on the most basic and most urgent needs of the population:

- healthcare (Naya Jeevan in Pakistan; Aravind in India; Projecto Cies in Brazil; etc.);
- education (PlanetRead in India; Lumni in Peru; etc.);
- employment (Friends International in Cambodia; Education for Employment in the Middle East; etc.);
- urban development (Cinepop/Hormiga in Mexico; Waste Concern in Bangladesh; etc.); and
- rural development (SELCO in India; Proximity Designs in Myanmar; HSSI in the Philippines, etc.).

A social entrepreneur who has helped promote social entrepreneurship and who has had a major impact on millions of people is Muhammad Yunus, the founder and manager of social enterprise Grameen Bank and the father of microcredit. The microfinance revolution Muhammad Yunus helped launch has

“Applying the principles of franchising to grow and multiply successful social enterprises – social franchising – provides the necessary scale to make a substantial and lasting impact ...”

allowed millions of poor people in global rural communities access small loans that significantly improved their living conditions in Bangladesh and in other parts of the world. Yunus was awarded the Nobel Peace Prize in 2006.

Franchising for scalability

As social entrepreneurship gains momentum, questions are being raised about the impact and sustainability of many social enterprises. The vast magnitude of the social problems that still plague billions of people worldwide makes scale an urgent necessity. That is where franchising comes in: franchising has proven to be a potent method of multiplying business operations. Applying the principles of franchising to grow and multiply successful social enterprises – social franchising – provides the necessary scale to make a substantial and lasting impact in the struggle to resolve massive global social challenges.

The basic concept of franchising can be traced all the way back to the Middle Ages in Europe when a monarch - or a local authority - (the “franchisor”) offered certain persons (the “franchisees”) the right to collect taxes, maintain civil order, etc. in exchange for a given portion of the tax revenues collected. The modern form of franchising took off in earnest starting in the 1950s in the United States with the launch of several firms that are dominant franchisors today (McDonald's, Kentucky Fried Chicken, Dunkin'

Donuts, etc.) (full disclosure: Dunkin' Donuts has provided financial support to the Rosenberg International Franchise Center). According to the International Franchise Association, there are now nearly 733,000 franchised establishments supporting 7.6 million direct jobs in the United States. The significant economic successes of the franchise business model make franchising a potent method of multiplying the impacts of social entrepreneurship to potentially match the magnitude of the global social challenges.

Social franchising around the world

Many social franchises have been launched across the world. In developing countries, social franchises have focused mainly on providing basic services to impoverished communities. An example of such a social franchise system is the one created by the HealthStore Foundation, a Minnesota-based nonprofit corporation founded in 1997 by Scott Hillstrom and Eva Ombaka. Its mission is to provide access to essential drugs, basic healthcare, and prevention services to marginalized populations in the developing world using business models that maintain high standards, are geometrically scalable and achieve economies of scale. In 2000, The HealthStore Foundation launched the Child and Family Wellness Shops Network (CFW), a branded business format franchise system of micro-pharmacies and clinics in Kenya. They have plans to grow the CFW franchise system to reach over one million patients per year in Kenya and to expand to Rwanda.

Another successful example of a social franchise is the Hapinoy network in the Philippines. Launched in

2007, Hapinoy's (i.e., Happy Filipino) mission is "sustainably uplifting the lives of those at the base of the pyramid by empowering Nanays [Filipino mothers] to become more effective micro-entrepreneurs with the goal of eventually harnessing the store network to provide communities access to high impact products." The objective is to provide sustainable incomes for Filipino mothers and families and to supply socially needed products and services to impoverished communities, including affordable access to mobile technology, financial services, nutritious food and over-the-counter medicine. By 2015, Hapinoy had trained more than 3,000 Nanays to own and operate sari-sari stores using the Hapinoy franchise system.

Billions of people all over the world are still facing daunting social and economic problems. But now a new potent weapon, social franchising, is starting to make a difference in this struggle to make the world a better place for all.

"The significant economic successes of the franchise business model make franchising a potent method of multiplying the impacts of social entrepreneurship to potentially match the magnitude of the global social challenges."

E. Hachemi Aliouche

Dr Aliouche is the Director of the Rosenberg International Franchise Center at the Peter T. Paul College of Business and Economics where he holds the Rosenberg Chair in Franchising and he is an Associate Professor. His current research focuses on franchise finance, international franchising (particularly in emerging countries), and social franchising. Dr Aliouche's research has been published in leading academic journals. He writes regularly on franchising in his blog in Forbes.com, and leading industry publications have published interviews and/or articles by him. Prior to joining UNH as a full-time faculty member, Dr Aliouche held senior level management positions (Controller, CFO, etc.) with global companies (AT&T, Lucent Technologies, etc.), and he co-founded a health care business.